

TUITION-SETTING GUIDELINES

Recommendation

The staff recommends that the council approve the tuition-setting guidelines as shown in Attachment A.

Background

The Finance Committee discussed draft tuition-setting guidelines at its March 19 and April 30, 2001, meetings. Student representatives were invited to participate in the April 30 discussion. In addition, the guidelines were discussed again at the chief budget officers' meeting also held April 30. The attached guidelines, which would be effective beginning fall 2002, reflect these discussions.

Institutions would continue to set tuition rates for 2002-04 within the guidelines approved by the council. The institutions would report their tuition rates and projected tuition and fee revenue to the council by September 1, 2001. The major changes to the 2000-02 guidelines that have been discussed include 1) encouraging institutions to consider charging per credit hour (no flat tuition rate for full-time students), 2) requiring undergraduate tuition to be higher for non-Kentuckians than for Kentuckians, and 3) establishing a standard deduction for tuition and fees for benchmark funding.

Per-Credit-Hour Pricing

More than half of the Kentucky Community and Technical College students and a third of total undergraduate enrollments are part time. A majority of the new students who enroll in postsecondary education are expected to be part time. Among part-time students, those who take fewer than six credit hours in a term generally are not eligible for financial aid. They do not receive KEES or any need-based aid from either the state or federal government.

Under Kentucky's existing pricing structure, part-time students effectively pay more per credit hour than full-time students because their total tuition is spread over fewer credit hours. Besides achieving equity among students, pricing per-credit-hour would provide incentives to use instructional resources more efficiently as students often register for more credits than they intend to complete.

Non-Resident Tuition

Institutions were given complete flexibility in setting tuition rates for this biennium. Several institutions have greatly reduced, and in one instance, even eliminated, the difference between resident and nonresident rates for undergraduate students from selected areas in bordering states. A survey of the benchmark institutions reveals that nonresident undergraduate rates vary from 1.5 times to more than five times the resident rates, with a median between two and three times the resident rate.

Under the proposed guidelines, undergraduate tuition would be lower for Kentucky residents -- who support institutions with taxes -- than for nonresidents. Institutions can continue to attract academically gifted nonresident students with institutional scholarships, since, for the most part, neither the council nor the Commonwealth dictate how funds are spent.

The proposed differentiation in tuition would not apply to nonresident students enrolled under reciprocity agreements with other states. These agreements improve the educational opportunities available to students and minimize the cost for the taxpayers of the states involved through cooperative educational efforts.

Both the Kentucky Board of Student Body Presidents and the Association of Independent Kentucky Colleges and Universities support a lower undergraduate tuition rate for Kentucky residents. Gary Cox, President of AIKCU, argues that if a differentiation is not required, taxpayers will bear the brunt of educating non resident, non taxpaying students through the provision of highly subsidized educational services.

Tuition and Fees Revenue Standard Deduction

The 2002-04 budget recommendation will continue to be based on benchmark funding. A key consideration is the amount of public funds that should be generated by tuition and fees. Public funds include tuition and fees revenue, as well as state and local appropriations.

The 2000-02 budget recommendation was based on each institution's budgeted tuition and fees revenue. Thus, the 2000-02 tuition and fees deduction varied from 24 percent to 60 percent. At the institutions' request, a set percentage for tuition and fees revenue, or budgeted tuition and fees revenue, whichever is lower, would be deducted from the public funding amount to determine the 2002-04 state appropriation objective for each institution.

Based on a review of public funding at the benchmark institutions, the council staff proposes that the standard tuition deduction for the public universities, excluding Kentucky State University, be set at 37 percent. The staff recommends that a lower percentage is appropriate for the Kentucky Community and Technical College System, the Lexington Community College, and Kentucky State University. The lower percentage for KCTCS and LCC would reflect the state's commitment to access to postsecondary education for all Kentuckians. The lower percentage for Kentucky State University is appropriate given KSU's status as the state's historically black institution and to provide greater access

for the student population it serves. Based on a review of about 850 community colleges, the staff proposes that the standard tuition deduction be 30 percent for KCTCS, LCC, and KSU.

Institutions with tuition and fee revenue below the set percentage should act to increase their percentage over the next biennium, and are expected to at least maintain the current ratio of tuition and fees revenue to total public funds. A schedule of tuition and fees revenue as a percent of public funds, by institution, is presented in Attachment B.

Under the proposed guidelines, six of the ten institutions (including KCTCS) would see no change in how the tuition and fees revenue deduction is computed for 2002-04 as compared to 2000-02. The recommended guidelines were discussed again with the chief budget officers at their April 30 meeting. The chief budget officers support the proposed guidelines.

Staff Preparation by Angela S. Martin and Sue Hasbrouck

**Tuition-Setting Guidelines
Effective Fall 2002**

May 21, 2001

Each institution will establish its own tuition rates consistent with the following guidelines. The council's biennial budget request for state general operating funds will consider tuition and fees revenue based on these guidelines.

- Undergraduate rates must be higher for non-Kentuckians than Kentuckians, excluding reciprocity agreements.
- As part of the key indicators of progress toward postsecondary reform, the staff will continue to monitor and report to the Council on an annual basis the percentage of income (per capita personal income) needed to pay for college expenses to ensure that postsecondary education remains affordable to Kentuckians.
- The rates should move institutions toward producing tuition and fees revenue at consistent levels across institutions. KCTCS, LCC, and KSU's tuition and fees policies should move the institutions toward producing revenue that is at least 30 percent of the total public funding for each institution. The tuition and fees policies for the remaining institutions should move these institutions toward producing revenue that is at least 37 percent of the total public funding for each institution. Institutions with tuition and fees revenue below these recommended standards should act to increase that percentage over the biennium. These institutions must at least maintain the current percentage of tuition and fees revenue in public funding during the 2002-04 biennium.
- Each institution will submit planned biennial tuition rates and projected tuition and fees revenue for 2002-03 and 2003-04 to the council by September 1, 2001, for developing the council's 2002-04 biennial budget request.

**TUITION AND FEES REVENUE
AS A PERCENT OF PUBLIC FUNDS**

2000-01				
	Total Adjusted General Fund <u>Appropriation*</u>	Budgeted Tuition and Fees <u>Revenue**</u>	Total Public Funds	Tuition and Fees Revenue As a % of Public Funds
EKU	\$ 68,242,100	\$ 37,217,000	\$ 105,459,100	35.3%
MoSU	40,676,200	21,798,200	62,474,400	34.9%
MuSU	47,914,400	30,955,800	78,870,200	39.2%
NKU	40,171,300	40,941,500	81,112,800	50.5%
UK (excluding LCC)	300,948,100	114,698,500	415,646,600	27.6%
UL	172,603,200	79,082,500	251,685,700	31.4%
WKU	65,028,400	38,917,000	103,945,400	37.4%
KCTCS	\$ 183,601,400	\$ 50,436,400	\$ 234,037,800	21.6%
LCC	8,082,000	11,211,700	19,293,700	58.1%
KSU	22,264,700	8,128,100	30,392,800	26.7%

* Includes funds for the Enrollment Growth and Retention Program, Postsecondary Workforce Training and KCTCS Administrative Systems.

** As reported to the CPE Comprehensive Data Base (form FD-1B).